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## **Daily Environment Report**

### **Afternoon Briefing - Your Preview of Today's News**

The following news provides a snapshot of what Bloomberg BNA is working on today. Read the full version of all the stories in the final issue, published each night. The Bloomberg BNA Daily Environment Report is brought to you by EPA Libraries. Please note, these materials may be copyrighted and should not be forwarded outside of the U.S. EPA. If you have any questions or no longer wish to receive these messages, please contact Shari Clayman at [clayman.shari@epa.gov](mailto:clayman.shari@epa.gov), 202-566-2370.

### **EPA Seeking to Redefine Small Business Under Chemicals Law**

*Posted December 14, 2016, 03:01 P.M. ET*

*By [Tiffany Stecker](#) and Pat Rizzuto*

Chemical company reporting requirements may change as the Environmental Protection Agency considers revising the size standards for small chemical manufacturers under the amended Toxic Substances Control Act.

The EPA is [requesting](#) comment on a possible decision to revise the standards that would exempt small producers from reporting certain data. This includes the location of a plant site, the quantity imported or manufactured, and the number of workers involved in the process.

The standards, established in the 1980s, describe which manufacturers are generally exempt from the reporting requirements.

Currently, producers of chemicals, pesticides, paints and adhesives, and petroleum products making less than \$4 million in annual sales are not subject to the same reporting mandates as large companies, with some exceptions.

The EPA may adjust the sales values if the federal price index for chemical products changes more than 20 percent.

Between 1988 and 2015, the price of chemicals has grown by 129 percent. More than 75 percent of the Small Business Administration's size standards for firms are set higher than \$7.5 million in annual sales.

"EPA's existing \$4 million annual sales standard is an outlier at the low end of this range," the agency's pre-publication notice says.

The Frank R. Lautenberg Chemical Safety for the 21st Century Act (Pub. L. No. 114-182), amended the 1976 Toxic Substances Control Act and became law June 22.

## Help for Small Firms

The EPA has made a preliminary determination that the changes to the size standards are necessary under Section 8(a)(3)(C) of the new law, which requires the agency to consult with the SBA and decide which manufacturers and processors are deemed “small” manufacturers, and whether such a determination is warranted.

Dan Newton, senior government relations manager for the Society of Chemical Manufacturers and Affiliates, told Bloomberg BNA his organization supports the agency's plan to update the criteria that define small businesses under TSCA.

About 70 percent of the society's members are small, specialty chemical manufacturers.

Newton pointed to comments the society provided the EPA in September regarding fees it will charge industry to recoup some of its chemicals oversight costs.

Business revenue is a reasonable approach to defining small businesses, but another approach would be to base the definition on the number of employees, the society said.

The EPA notice is scheduled to publish in the Federal Register on Dec. 15.

## As Trump Vows to Boost Drilling, Fracking Foes Turn to Courts

*Posted December 14, 2016, 8:27 A.M. ET*

*By [Alex Nussbaum](#)*

Janet McIntyre has heard President-elect Donald Trump praise fracking and the jobs it's created. She's living the other side of the story.

For six years, the western Pennsylvania woman and dozens of her neighbors have blamed their tainted groundwater—turned foamy, foul-smelling and undrinkable—on a drilling technique that slams sand, water and chemicals underground at high pressure to unlock oil and natural gas caught in the shale below.

Now McIntyre and others on the front lines of the fracking debate are getting support from an Environmental Protection Agency report, released Dec. 13, that says drilling can harm groundwater. The report, quickly denounced by the industry, comes as Trump's naming of a fossil-fuel champion to lead the EPA has activists despairing. They're vowing to turn to the states and the courts to fight a technology they blame for water pollution, earthquakes and climate-warming methane emissions.

For drillers, Trump is a hero, unchaining an overregulated industry. To anti-fracking activists, he is “the absolute nightmare,” said Karen Feridun, a co-founder of the group Pennsylvanians Against Fracking. “A lot of people are depressed. They know we have our work cut out for us.”

U.S. oil production surged 78 percent from 2011 to 2015 as improvements in hydraulic fracturing and horizontal drilling helped explorers pull oil and gas from previously inaccessible shale rocks, turning America into a petroleum powerhouse.

At the same time, the practice has sparked a backlash among critics. Five states, most notably

shale-rich New York, have banned fracking, along with scores of municipalities. The Sierra Club and others have sued over alleged water and air contamination and waste disposal, demanding tougher regulation.

The Sierra Club has received funding from Bloomberg Philanthropies, the charitable organization founded by Michael Bloomberg, the majority owner of Bloomberg L.P., parent of Bloomberg BNA.

### **Manufacturing Rebirth**

David Spigelmyer, formerly an executive at Chesapeake Energy Corp.'s Appalachia division, is now president of the Pittsburgh-based Marcellus Shale Coalition, an industry trade group. He calls the resurgent drilling a "job-creating force."

"We're witnessing a manufacturing rebirth in our region that almost nobody predicted a few years ago," Spigelmyer said by telephone.

Trump, meanwhile, has sided with the industry, promising to undo what he calls Barack Obama's "job-killing" regulations.

The Republican could start by killing Obama proposals to police methane emissions and groundwater impact, said Peter Cohn, an analyst with Height Securities LLC, a Washington-based consultant. On Dec. 7, Trump nominated Oklahoma Attorney General Scott Pruitt, a long-time ally of oil and gas producers, to lead the EPA.

McIntyre's response serves as a microcosm of the national debate.

"I understand everybody has to have a job," she said in an interview at her home in The Woodlands, a rural area outside Evans City, Pennsylvania. "But when it damages other people, is it really worth it?"

### **'Water Buffalo'**

McIntyre's water now comes from what neighbors here call a "water buffalo," a 1,500-gallon donated tank that sits outside her home. She also picks up 20 jugs each month from the White Oak Springs Presbyterian Church in nearby Connoquenessing. About three dozen families rely on the donations, the church's pastor, Lee Dreyer, said in an interview.

Their homes, about an hour north of Pittsburgh, sit atop the Marcellus shale play, the biggest source of natural gas in the U.S. Thirty-one rigs were drilling in the state as of last week, up from a low of 13 in July, according to Baker Hughes Inc.

During a 15-minute car ride, McIntyre pointed out a half-dozen well pads close to her home. She and her neighbors say their water was ruined after Rex Energy Corp. began drilling in 2010. Now, eight of the families are suing in state court, seeking unspecified damages. They had little choice, according to McIntyre.

"We have gone to our township and our county and the state," she said. "It seems no one's listening."

### **Not to Blame**

The case is in discovery, with a trial not expected until late 2017, said the homeowners' attorney, David McGowan. A Rex Energy spokesman declined to comment, but the State College, Pennsylvania-based company has said in the past it's not to blame.

"There are no notable differences in water chemistry between pre- and post-drill water quality tests of the water wells in question," Rex said in a 2012 statement. That same year, the state Department of Environmental Protection concurred, and a review of the state's data by the EPA reached the same conclusion.

The residents say in their lawsuits that Rex's drilling may have let contaminated groundwater from past coal mining and oil drilling reach their aquifer. According to [John Stolz](#), a professor of environmental microbiology at Duquesne University in Pittsburgh, testing cited by the state may have been too limited in time or scope to pick up the damage.

### **EPA Report**

"Clearly something happened to their water, and it happened within the window during which the drilling companies were doing what they were doing," said Stolz, who has been retained for his expertise by McIntyre and her neighbors.

The EPA [report](#) Dec. 13 said a review of more than 1,200 scientific sources found evidence that hydraulic fracturing can affect water resources "under some circumstances." The impacts ranged in severity from "temporary changes in water quality to contamination that made private drinking water wells unusable," the agency said in a [statement](#).

That was a reversal from an earlier draft that said there was no evidence of widespread water effects from fracking. Still, the agency's final report noted that "significant data gaps" make it impossible to say just how frequent the damage has been.

### **A Thousand Sources**

The finding drew a condemnation from the American Petroleum Institute, the industry trade group in Washington. "The agency has walked away from nearly a thousand sources of information from published papers, technical reports and peer-reviewed scientific reports demonstrating that industry practices, industry trends and regulatory programs protect water resources at every step," said Erik Milito, the group's director of upstream and industry operations.

In a study published in November by the journal *Science of the Total Environment*, researchers said a review of 1,850 water samples from Pennsylvania and elsewhere found elevated levels of some chemicals near fracking sites. None were present at hazardous levels, but the results indicated drilling could be affecting water quality, said the scientists from Columbia University in New York, Rutgers University in New Jersey and the University of Pennsylvania.

The altered water chemistry "seems to be a fingerprint of drilling," said co-author Reynold Panettieri, director of Rutgers' Institute for Translational Medicine and Science.

McIntyre is counting on studies like that to help swing the court in favor of the residents. If she wins her case, she said she'll use the proceeds to pay for a new water supply in the area. Until then, she's counting every drop.

"They're not paying attention," she said of politicians from the local level to Washington. "They are listening to whoever is going to make them money and who they're going to work for. They are not

interested in the little guy.”

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## **Dong, Eversource Form Venture to Build U.S. Offshore Wind Farm**

*Posted December 14, 2016, 01:30 P.M. ET*

*By Joe Ryan*

Dong Energy A/S, the world’s largest offshore-wind developer, formed a partnership with Eversource Energy to develop a wind farm off the coast of Massachusetts.

Eversource, which has 3.1 million electric customers in New England, acquired a 50 percent stake in a Dong unit that holds a federal lease to build turbines in the Atlantic Ocean, the companies announced in a joint statement Wednesday. Terms weren’t disclosed.

The partnership comes days after operations began at the U.S. first offshore wind farm, a 30-megawatt facility built by Deepwater Wind LLC in Rhode Island waters. Thomas Brostrom, head of Dong’s U.S. operations, said Eversource’s entry into the market demonstrates growing confidence in the emerging offshore wind industry in the U.S.

“The industry has matured. The costs have come significantly down,” Brostrom said in an interview.

### **June Auction**

While offshore wind has thrived for more than a decade under government subsidies in Europe, the expense of building massive turbines at sea has prevented the industry from taking hold in the U.S. That’s beginning to change as auctions in Europe drive down costs and states including New York and Massachusetts enact policies aimed at encouraging development.

In August, Massachusetts Gov. Charlie Baker signed a bill requiring utilities to buy 1,600 megawatts of offshore wind power over the next decade. The first auction, for at least 400 megawatts, is scheduled for June.

Dong and Eversource plan to develop a site about 20 miles (32 kilometers) south of Martha’s Vineyard. It could accommodate enough turbines to generate as much as 2,000 megawatts, powering as many as 1 million homes. Dong will head up the work at sea, and Eversource will develop the transmission capacity on land.

“It’s the right technology at the right time,” Lee Olivier, Eversource’s executive vice president for energy strategy and development, said in an interview. “And in the long run it will be the lowest price.”

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## **N.Y. Will Take Additional Steps to Protect Drinking Water**

*Posted December 14, 2016, 04:19 P.M. ET*

*By Gerald B. Silverman*

New York state lawmakers and regulators will take a number steps next year to address drinking water contamination, driven by the discovery of perfluorooctanoic acid (PFOA) in at least three towns this year and the prospect of scaled back regulatory activity from a Trump administration.

The state became the epicenter of debate over PFOA this year when the chemical, which can cause cancer and birth defects, was found in the drinking water supply of Hoosick Falls. It was later discovered in the water in the towns of Petersburg and Westhampton and a similar chemical, perfluorooctane sulfonate (PFOS), was found in Newburgh, N.Y.

The four sites could be just the tip of the iceberg, however, because the chemicals have been so widely used in so many products. The state Department of Environmental Conservation is already investigating 40 other sites, according to Martin Brand, the deputy DEC commissioner for remediation and materials management.

"To be realistic, we're going to find other areas," Brand told Bloomberg BNA.

Saint-Gobain Performance Plastics Corp., Honeywell International Inc. and the plastics manufacturer Taconic have been named as potential responsible parties for the contamination under the state superfund law. Saint-Gobain and Honeywell are also facing civil lawsuits over the contamination.

#### **Other Sites Likely**

Brand said the state sent surveys to 2,500 companies, fire departments and Department of Defense sites this year to determine the extent of contamination. The results have started to come back, and "we expect to generate some additional areas that are going to require responses."

**Elizabeth Moran, water and natural resources associate at Environmental Advocates of New York, agreed that regulators don't know the extent of the contamination.**

**"There may be dozens of communities in New York State alone with PFOA or PFOS contamination who just don't know it yet," she said.**

**"This was a widely used and unregulated chemical," Moran told Bloomberg BNA in an e-mail. "The extent of the crisis is unknown, which is why New York must get proactive and test water quality statewide."**

**Moran said the need for state action is even greater with the election of Donald Trump and the changes possible at the Environmental Protection Agency.**

**"Trump has threatened to dismantle the EPA, so state leaders can't just sit on their hands anymore," she said.**

#### **Legislative and Regulatory Actions**

**State action is expected on both the legislative and regulatory levels. Three bills were introduced this year after the Legislature adjourned its regular 2016 session. All three are expected to be re-introduced in 2017 session, which opens in January.**

- **S. 8186 would require that the state Department of Health periodically review the EPA's list of potential drinking water contaminants to see if any should be regulated by New York.**

- **S. 8185** would create a special fund to pay for medical monitoring for residents of Hoosick Falls who were exposed to PFOA.

- **S. 8193** would require that the state health commissioner conduct bio-monitoring of the residents of Hoosick Falls and Petersburg every two years.

**“We are working with the Environmental Conservation Committee to see how we can strengthen health and environmental protections, including tougher standards on contamination and remediation,” Assemblyman Richard N. Gottfried (D), chairman of the Assembly Health Committee, told Bloomberg BNA in an e-mail.**

**“We want to make sure that state agencies are more proactive in protecting New Yorkers,” he said.**

**Representatives from industries that may be affected by any changes were reticent in their comments about potential new legislation and regulation.**

**Dina Pokedoff, a spokeswoman for Saint-Gobain, told Bloomberg BNA the company was aware of the proposed legislation, but had no additional comments.**

**Victoria Streitfeld, a spokeswoman for Honeywell, told Bloomberg BNA that questions about the proposals were “best addressed to the Legislature.”**

#### **More Bills Expected**

**Sen. Kathleen A. Marchione (R), whose district includes Hoosick Falls and who introduced S. 8185 and S. 8193, told Bloomberg BNA that she is working on a series of bills for 2017.**

**She said, however, that the governor may not support legislation that requires the state to fund programs or projects because he believes the companies responsible for the contamination should be responsible for the remediation.**

**While environmental groups have been critical of the state’s response to what they call a crisis, Marchione praised Gov. Andrew M. Cuomo (D) and the state.**

**“I don’t believe that the governor’s office could be doing more to help the people in Hoosick Falls,” she said.**

**Brand said he expects new initiatives to be included in the Fiscal Year 2017 budget that Cuomo will propose in January, including additional resources for DEC for drinking water sampling and monitoring.**

#### **Waiting for EPA?**

**Cuomo, who appointed a Water Quality Rapid Response Team in February, has pledged that, absent federal action, he would introduce legislation requiring that all public water supplies in the state be tested for unregulated contaminants. He said he would introduce the bill unless the EPA expands its Unregulated Contaminant Monitoring Rule, which is now limited to public water systems that serve less than 10,000.**

**Public water systems serving 2.5 million New Yorkers aren’t currently required to be tested for unregulated contaminants, according to Cuomo.**

**Environmental Advocates will be urging the state to take four steps next year to address**

drinking water contamination, either through legislation or regulatory actions.

The Albany-based environmental group wants the state to act immediately to require water testing for emerging contaminants in communities with fewer than 10,000 residents; regulation of some 80,000 unregulated chemicals; a lowering of the state's advisory level for PFOA and PFOS; and testing of all of the state's drinking water systems.

Brand said the state may add chemicals to its list of hazardous substances, but it was not realistic for the state to add all 80,000.

"The state is prepared to step up and take action where we don't get a federal response," he said.

## **Portland, Ore., Bans New Fossil Fuel Terminals**

*Posted December 14, 2016, 03:23 P.M. ET*

By [Paul Shukovsky](#)

Portland, Ore., prohibited the development of new bulk fossil fuel terminals over 2 million gallons and the expansion of existing ones Dec. 14, declaring in an [ordinance](#) that the fuels are "major contributors to climate change and pollution."

The move likely forecloses Oregon's largest seaport as a gateway for the export to Asia of Bakken crude oil and any moves to increase capacity at existing petroleum terminals in the city, including BP West Coast, Chevron, Conoco-Phillips, Equilon/Shell and Kinder Morgan, according to a Portland planning bureau map.

"The cities of our country that are climate action cities are still in this work and we are still committed," said Portland Mayor Charlie Hales, who cast the final vote making the measure's passage unanimous.

Hales, who sponsored the zoning ordinance, told Bloomberg BNA minutes before the vote: "We've concluded as a city that we don't want to be party to the expansion of fossil fuel infrastructure."

## **Climate Skeptic Perry Seen as Unlikely Ally to Clean Energy**

*Posted December 14, 2016, 8:34 A.M. ET*

By [Joe Ryan](#) and [Brian Eckhouse](#)

Rick Perry, Donald Trump's pick to lead the U.S. Energy Department, has deep oil industry ties and longstanding doubts about global warming. Yet clean-energy advocates see a potential ally.

The former Texas governor, who in a 2010 book accused scientists of manipulating climate change data, oversaw a boom that made the oil-rich state the biggest producer of wind power as aging coal-fired plants were replaced. On Dec. 14, President-elect Trump nominated his onetime rival to become secretary of energy.

The boom overseen by Perry was fueled largely by legislation he signed into law requiring the state to increase its clean-energy usage and transmission lines to connect remote wind farms to the grid. So while Perry champions fossil fuels and has pushed to roll back



regulations to expand natural gas and oil drilling, experts say he probably won't stand in the way of renewable power.

"He's demonstrated an ability to be supportive of policies that are important for modernizing the electrical grid and integrate renewables," said Greg Wetstone, president and chief executive officer of the American Council On Renewable Energy in Washington. "He's somebody we're hopeful we could work with."

#### Transmission Lines

When Perry took over as governor from former President George W. Bush in 2000, Texas had about 210 megawatts of wind power, according to Bloomberg New Energy Finance. The state now has almost 19,000 megawatts, enough to power the entire nation of Chile. Much of that came through about \$7 billion transmission of projects approved in 2005, with support from Perry, to cart wind from remote windswept regions toward Houston, Dallas and San Antonio.

"He's somebody who is familiar with the issues of renewables and clean-energy development," said Ethan Zindler, an analyst with New Energy Finance in Washington. "The fact that he's in there and knows the stuff is good."

It's unclear how much sway Perry will have under Trump, who has derided clean energy—especially wind—and vowed to repeal environmental regulations that hinder jobs. Jacob Susman, a vice president of origination at EDF Renewable Energy in New York, said he's cautiously optimistic that Perry will be better for clean power than other potential candidates.

"Texas is the top state in the U.S. by far in installed wind capacity," Susman said. "Governor Perry's roots in the state are important for the wind business."

#### Coal Plants

Not all clean-power boosters cheered the nomination. When Perry campaigned for president in 2011, he said he wanted to eliminate multiple federal agencies, including the Energy Department, and then during a live televised debate forgot its name. Jim Marston, founding director of the Texas office of Environmental Defense Fund, said the most telling page in Perry's energy legacy was his push in 2005 to expedite 18 new coal plants. Environmental groups sued and blocked construction of all but two.

"The nomination of Rick Perry does not make me optimistic about the future of the climate," Marston said.

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#### Perry in His Own Words: How Trump's Energy Pick Views His World

*Posted December 14, 2016, 03:55 P.M. ET*

*By Jim Polson*

Former Texas Governor Rick Perry (R) is President-elect Donald Trump's choice to become Secretary of Energy. Here are some comments Perry, 66, has made in recent years on oil production, renewable energy, the role of government, climate change and other

## **environmental issues:**

### **Federal Energy Policy**

Now is the time for bold leadership with a game-changing energy policy that protects American interests and our allies. It's not that we need a new energy policy, it's that we need an energy policy, period. The President should work with Congress to pass an energy plan that makes America "energy secure" by a specific date. Our plan should include becoming the world's largest net exporter of energy, it should allow for exploration and production in untapped fields, and it should help take us from the doldrums of anemic recovery to robust job growth (prepared [remarks](#) at Texas energy and climate policy summit, Sept. 25, 2014).

### **On the EPA**

Somebody has to tell the E.P.A. that we don't need you monkeying around and fiddling around and getting in our business with every kind of regulation you can dream up. You're doing nothing more than killing jobs. It's a cemetery for jobs at the EPA ([remarks](#) in Tea Party Republican Debate on Sept. 12, 2011).

### **On Russia's Threat**

One of the most profound ways to enhance national security, to bring stability around the globe, and to change dynamics around the globe, is to aggressively market American energy around the globe. We see how energy can be used for malignant purposes through the actions of Russia. Energy is a weapon in the hands of aggressors. So I say, if energy is going to be used as a weapon, America should always have the largest arsenal (prepared [remarks](#) at Texas energy and climate policy summit, Sept. 25, 2014).

### **Energy Diversity**

I feel strongly about any company that will come and deliver energy for the state of Texas, whether it's wind, nuclear, solar, coal, or natural gas. We have to have it, and I think that's the real issue here. I had the chairman of Exelon in here in the last six months, and we're working on two different nuclear sites with them. There was probably a time when people would have gotten all up in arms that we were for nuclear. Frankly, I think nuclear is the big savior ([interview](#) with Texas Monthly, published in May 2007).

### **Climate Change**

The idea that we would put Americans' economy in jeopardy based on scientific theory that's not settled yet is nonsense. Just because you have a group of scientists that have stood up and said, "Here is the fact"—Galileo got outvoted for a spell. But the fact is to put America's economic future in jeopardy, asking us to cut back in areas that would have monstrous economic impact on this country is not good economics and I will suggest to you that it is not necessarily good science ([remarks](#) during Republican Presidential debate, 2011).

### **The 'Oops' Moment**

It is three agencies of government, when I get there, that are gone: Commerce, Education, and the—what's the third one there... I would do away with Education, Commerce, and, let's see. I can't. The third one, I can't. Oops ([remarks](#) during Republican Presidential Debate when he forgot Energy as one of the departments he'd eliminate, November 2011).

## Alternative Energy

We will be missing a great opportunity as a state if we don't go to the Exxon Mobils, if we don't go to the bigger or smaller companies that are in the energy development business and ask them to join the state in creating an alternative energy effort here that is bigger and better than in any other state. There can be a lot of jobs created and a lot of wealth created by innovation in alternative fuels ([interview](#) with Texas Monthly, published in May 2007).

## The Shale Boom

Texas innovation gave the world Spindletop at the turn of the century and hydraulic fracturing at the end of the century. Today horizontal slant drilling is tapping oil and gas fields unreachable just a few years ago. This technology is testament to the power of the private sector to drive economic change. In Texas, we have chosen jobs. We have chosen energy security, and we will one day end America's dependence on hostile sources of foreign energy ([farewell address](#) to Texas legislature, January 2015).

## Wind Power

Texas doesn't just believe in the potential of wind energy, we are reaping its benefits already. People who talk about wind energy as a technology of the future clearly haven't been to West Texas lately: the future of wind energy in Texas is now. I am proud that our state's installed wind generation capacity leads the nation, a place we did not reach by accident ([remarks](#) to the American Wind Energy Conference, June 2, 2008).

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## What Could Trip Up Tillerson on Capitol Hill: A Guide

*Posted December 14, 2016, 8:33 A.M. ET*

By [Nick Wadhams](#)

When Rex Tillerson visits Capitol Hill next month for his confirmation hearings, senators will weigh two competing questions: Are his close ties to Russia disqualifying? Or do his years as the globe-trotting, deal-making chief executive for Exxon Mobil Corp. merit making him the top U.S. diplomat?

The 64-year-old Tillerson has seen his share of difficult meetings: He outplayed his competitors to win an enormous share of Russia's potential energy wealth, sparred with the late Venezuelan President Hugo Chavez over his nationalization drive and steered his company away from its most hostile rhetoric on climate change.

And while he has no experience in the public sector, Tillerson has aired his views on several of the biggest policy decisions he'd confront as secretary of state. Here are five key issues Congress will expect President-elect Donald Trump's nominee to address:

## Sanctions

The facts: The Obama administration has greatly expanded the use of sanctions as a tool to shape foreign policy, either by tightening restrictions to punish bad behavior -- as in the case of Russia, or easing them to reward countries coming into alignment with U.S. goals -- such as Myanmar and Cuba.

**The critics say:** Exxon has felt that pinch in Russia, where its drilling rights cover more territory than its U.S. operations, and Tillerson's detractors fear he'll push for a swift unwinding of punitive measures. "It doesn't take a rocket scientist to say he would be disinclined to keep the Russia sanctions in place," said Richard Nephew, who helped coordinate the Iran sanctions regime at the State Department.

**The pushback:** Trump's incoming chief of staff, Reince Priebus, told MSNBC the world would have to "wait and see" what the president-elect would do on Russia sanctions. But Tillerson said in 2014 that sanctions often cause "broad collateral damage" and are useless if not properly enforced.

#### Trump and Trade

**The facts:** As Exxon Mobil CEO, Tillerson depended on free trade for his company to thrive. As recently as last year, he was a supporter of the Trans-Pacific Partnership, an Obama administration initiative that would bind a dozen Asian nations with the U.S. He has also said open borders with Canada and Mexico are crucial for the energy trade.

**The critics say:** Tillerson's biggest critic on trade could be Trump. The president-elect's opposition to free-trade deals—from the North American Free Trade Agreement to TPP—was a crucial part of his campaign platform. "The deals they have with us are always the worst deal," he said at a Dec. 9 rally.

**The pushback:** Tillerson will have to decide whether he cares enough to pressure his boss or, like many Democrats and Republicans who have encountered populist resentment toward free trade, change his tune. Regardless, China says it is moving forward with its own regional trade agreements that don't include the U.S.

#### Climate Change

**The Facts:** Bucking previous Exxon leaders, Tillerson acknowledged in 2012 that increasing carbon emissions will have "a warming impact." At the same time, he said he believes the consequences are "manageable." Some environmental groups see that as code for "do nothing."

**The critics say:** Exxon's historic support for anti-climate change lobbying groups like the Global Climate Coalition helped make it the evil corporate poster boy for environmentalists. While Tillerson shifted the company's stance, the hangover from earlier years remains. The company has been accused of misleading investors for decades about the impact of climate change on its business. All that will give Democrats a fat target for televised confirmation hearings.

**The Trump pushback:** Trump once called climate change a hoax perpetuated by China, though in more recent interviews he's said he has more of an open mind about the issue. He even met with former Vice President Al Gore, who shared a Nobel Peace Prize for his work to inform the public about climate change. Yet Tillerson has been dismissive of what he sees as the hyperbole surrounding the debate. "The fear factor that people want to throw out there to say we just have to stop this, I do not accept," he said in 2012.

#### Exxon's Global Deals

The facts: Tillerson will leave Exxon owning 2.6 million shares of the company's common stock worth about \$244 million. The Texan has spent his entire career working for the company, making multimillion-dollar deals for it in the Persian Gulf, with Russia and in Iraq's Kurdistan region.

The critics say: Can Tillerson just walk away from a life with Exxon and focus on the best interests of the U.S. as opposed to his old company? Will he be able to see U.S. foreign relations from anything but the perspective of an oil man? Some who know him well say yes, but Congress will ask pointed questions about his true interests.

The pushback: "If he is secretary of state I think he would pursue U.S. interests and that would be his mission and his focus," Daniel Yergin, the Pulitzer Prize-winning author of "The Prize: The Epic Quest for Oil, Money & Power," said in an interview. "We haven't had a secretary of state who came from the business community for a long time, but he's been pretty heavily schooled in international relations."

The 'Trump Factor'

The facts: Secretaries of state are given different degrees of power, and it's unclear how much Tillerson will be allowed to veer from—or help shape—Trump's policies. He has no experience in government or devising foreign policy, but then again, neither does Trump, so the dynamic is anyone's guess.

The critics say: Trump's desire for closer ties with Russia were a hallmark of his speeches, and some senators worry he wants to exploit Tillerson's contacts to achieve that end. "What you can't do as a secretary of state" to succeed is let "people around the world see daylight between you and your boss," Richard Haass, the president of the Council on Foreign Relations, said Dec. 13 on Bloomberg TV.

The pushback: Trump calls Tillerson a "world-class guy" whose global experience cutting deals for Exxon will help negotiate better, not worse, agreements with Russia. "The truth is having relationships with people is not a bad thing," says Priebus.

Tillerson's confirmation hearing may be held even before Trump's Jan. 20 inauguration.

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## Swimmers to be Protected from Algae Toxins Under EPA Plan

*Posted December 14, 2016, 03:39 P.M. ET*

*By [Amena H. Saiyid](#)*

People will know when to avoid swimming, boating and other activities in fresh or marine waters contaminated by harmful algae toxins once the Environmental Protection Agency adopts the proposed concentrations at which swimming advisories are issued.

These harmful blue-green algae, which are found mostly atop surface waters as scum, are fueled by too much nitrogen and phosphorus pollution, warmer temperatures, still water and plentiful sunlight. In August 2014, these harmful algae released significant levels of these toxins in Lake Erie, contaminating drinking water supplies in Toledo, Ohio, and resulting in a weekend-long ban.

To protect human health and guard against incidents similar to Toledo, the EPA is proposing concentrations for two of the most common cyanotoxins—microcystin and cylindrospermopsin—that are produced by excessive growth of blue-green algae. Specifically, the agency is proposing water quality criteria of 4 micrograms per liter (µg/L) for microcystin and 8 µg/L for cylindrospermopsin.

Nutrients—nitrogen or phosphorus—that contribute to algal blooms remain one of the largest sources of pollution in all the nation’s waters, including lakes, according to the EPA, which in a September missive renewed its push to get more states to adopt water quality standards with firm numerical, rather than narrative, limits.

#### Indirectly Regulating Nutrients

Chris Hornback, chief technical officer for the National Association of Clean Water Agencies, said these draft criteria reflect the EPA’s commitment. It is an indirect effort to regulate nutrients, he added.

Once the EPA adopts the criteria, states can either adopt them as water quality standards or use them to issue swimming advisories, or do both.

For instance, if states do adopt the criteria as standards, then they will have to figure out how to incorporate those standards into discharge permits for publicly owned wastewater treatment plants and other industrial facilities. “Indirectly, it could have impacts for nutrient discharges from publicly owned wastewater treatment plants,” Hornback said.

Hornback said NACWA, which represents nearly 300 publicly owned wastewater treatment plants, plans to comment on the proposed criteria.

#### Exposure Occurs After Bloom Fades

Exposure above or at these proposed concentrations can be harmful to both humans as well as domestic animals. The EPA said adverse health effects vary with different cyanotoxins but added that microcystins are primarily associated with liver toxicity, while kidney toxicity is a key health effect for cylindrospermopsin.

“Elevated cyanotoxin concentrations in surface waters can persist after the bloom fades, so human exposures can occur even after the visible signs of a bloom are gone or have moved downstream,” the EPA said.

If these criteria are used as a swimming advisory to protect swimmers at a beach, “these values are not to be exceeded on any single day.” If these are adopted as water quality standards, then this standard can’t exceed more than 10 percent of days for each recreational season in a given calendar year, according to the EPA.

The EPA said the recommended values for use as swimming advisories and water quality criteria “leverage” the information the agency collected and evaluated to set up drinking water health advisories in June 2015 for microcystin and cylindrospermopsin. The drinking water advisories provided states, drinking water utilities and the public with information on the health effects of the cyanobacteria, methods to test for them in water samples and treatment technologies to remove them.

The agency posted the draft criteria and related documents late Dec. 12, but it also plans to seek comment, identified by Docket ID No. EPA-HQ-OW-2016-0715, for 60 days following the publication of a Federal Register notice.

## **G20 Panel Urges CEO Compensation Link with Climate Risk**

*Posted December 14, 2016, 8:23 A.M. ET*

*By Jessica Shankleman*

Energy companies should consider telling investors how executive compensation is linked to climate change risks, according to a panel advising the Group of 20 nations.

Remuneration policies should consider how tighter pollution laws, extreme weather events and efforts to reign in fossil fuels could impact creditors and shareholders, according to the Task Force on Climate-Related Financial Disclosures, the group set up by Bank of England Governor Mark Carney in his role as head of the Financial Stability Board

“How companies are remunerating their boards has been a very understated feature of the debate until now,” said Mark Lewis, a managing director at Barclays Plc and member of the task force, in a phone interview.

The link between environmental risk and executive pay was thrust into the spotlight last year by Volkswagen AG’s “dieselgate” scandal. Its chairman Hans Dieter Poetsch and other top executives agreed to significant bonus cuts after labor unions and the German state of Lower Saxony, the company’s second-largest shareholder, opposed generous payouts following the financial backlash from the scandal.

In December 2015, Carney named Michael Bloomberg, founder and majority owner of Bloomberg News and its parent company Bloomberg LP, to lead the 31-member panel, which also includes executives and advisers from a variety of industries around the world.

Energy companies, which are responsible for about 60 percent of global emissions, are particularly vulnerable to a concerted global effort to tackle climate change, according to the report, which noted the rapidly falling costs of clean-energy alternatives. Organizations should consider describing in detail how manager and board member pay is tied to climate risks, the task force advised in its 110-page report annex. Almost 30 energy companies and utilities, including Enel SpA, Fortum Oyj, and Essar Oil Ltd. already offer their chief executives monetary rewards for the management of climate change, according to the CDP, formerly called the Carbon Disclosure Project, which surveys companies on their response to global warming. Another 17 energy companies and utilities, including SSE Plc and E.ON SE, reported monetary incentives for their board members.

“Carney was driven by the perception that this is a topic that’s come of age,” Lewis said. “Investor pressure is already there.”

The advice, which may be adopted into law by some G20 countries, recommends companies use scenarios to investigate how they would be affected by targets to cut greenhouse gases. That’s a key issue for fossil-fuel producers from Peabody Energy Corp. to Exxon Mobil Corp., which have clashed with New York Attorney General Eric Schneiderman over accusations they didn’t adequately inform investors about the climate risks they face.

The report will help financial markets “manage risks, and seize opportunities from climate change,” Carney said in a statement accompanying the report, which describes climate change as one of the most significant and misunderstood risks that companies face.

“As a private sector solution to a market issue, the Task Force has focused on the practical, material disclosures investors want and which all capital-raising companies can compile,” Carney said.

—With assistance from Chris Reiter.

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## Sunrun Expanding Solar-Storage Consumer Leasing to California

*Posted December 14, 2016, 01:07 P.M. ET*

*By Christopher Martin*

Sunrun Inc. is offering a lease package that combines solar panels and battery storage for homeowners in California after installing more than 500 units in Hawaii.

Chief Executive Officer Lynn Jurich said recent technology improvements and cost reductions let the residential solar installer include back-up storage systems at a discount to utilities’ electricity supplies with little or no upfront costs to consumers. San Francisco-based Sunrun will install storage systems from LG Chem Ltd. and Tesla Motors Inc. along with panels from its regular suppliers, she said.

“LG and Tesla keep advancing the technology and that’s lifting all boats,” Jurich said in an interview. “We like the product and we’re seeing strong demand from customers.”

Energy storage in the U.S. is forecast to climb to 2.05 gigawatts in five years, up from about 260 megawatts this year, with almost a third of that going to residential installations, according to GTM Research.

Sunrun introduced its solar-storage in July in Hawaii, which has the highest concentration of residential solar in the U.S. because of its sunny skies and high power prices. In California, the draw will be to store solar electricity to be used when power prices are highest, typically around 4 p.m. to 7 p.m., and to provide back-up power during blackouts, Jurich said.

California consumers will be charged 19 cents a kilowatt-hour for a system with solar panels and batteries, compared to Sunrun’s 16-cent price for a lease that just includes panels.

“It’s not the only benefit, but people really like the idea they’re getting back-up power to keep the refrigerator going during a blackout,” Jurich said.

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## Honeywell Heavy Metal Poisoning Claims Filed Too Late

*Posted December 14, 2016, 04:10 P.M. ET*

*By Steven M. Sellers*



Honeywell's expansion of a Baltimore site with chromium-laced fill constitutes an "improvement of real property," time-barring the cancer claims of a deceased dock worker under state law, a federal court in Maryland ruled (Byard v. Honeywell Int'l, Inc., 2016 BL 414278, D. Md., No. 16-cv-00755, 12/13/16).

The Dec. 13 ruling dismissed tort claims brought by the survivors of William Byard, who worked for 42 years as a longshoreman at Baltimore's Dundalk Marine Terminal before his death from lung cancer in 2013.

Byard's disease allegedly stemmed from exposure to hexavalent chromium that Honeywell, a multinational conglomerate producer of consumer products, dumped at the site. The site was later developed into a marine terminal in 1972.

Those claims should have been brought decades earlier under Maryland's statute of repose, the U.S. District Court for the District of Maryland said.

#### 20-Year Filing Window

The law requires that personal injury or wrongful death claims "resulting from the defective and unsafe condition of an improvement of real property" be brought no more than 20 years after the improvement.

Here, Honeywell stopped dumping toxic waste at the site in 1972, while the Byards didn't file suit until 2016, according to the decision.

A recent Fourth Circuit decision compelled dismissal of the case, the court said.

In Leichling v. Honeywell Int'l Inc., the Fourth Circuit held Dec. 2 that closely similar claims brought by another longshoreman at the terminal were barred by the statute of repose.

U.S. District Judge Ellen L. Hollander wrote the opinion.

The law offices of Peter Angelos represented William Byard Jr., Carrie Byard and Robert Byard.

Arnold & Porter represented Honeywell International Inc.

#### Falling Water Levels Hurt Biggest Sub-Saharan Hydro Plant

*Posted December 14, 2016, 9:21 A.M. ET*

By Matthew Hill

Sharply falling water levels at Mozambique's Cahora Bassa dam, sub-Saharan Africa's biggest hydropower plant, are threatening electricity supplies to countries including South Africa, which buys about a third of its output.

Levels are the lowest Phil Bezuidenhout, a lodge owner at the dam, has seen in the 24 years he's operated on its shores in the country's northwest.

"This is definitely the lowest it's been in my time," he said by phone. "These levels are

ridiculously low.”

Southern Africa’s worst drought in 35 years has cut inflows from rivers including the Zambezi and last year prompted Zambia and Zimbabwe to reduce by more than half power production at the Kariba dam, which is upstream from Cahora Bassa. Levels at the Mozambican reservoir have plunged by more than 8.8 meters (29 feet) since the start of the year, according to data from its operator, Hidroelectrica de Cahora Bassa. Both dams are counting on forecasts of above-normal rainfall in the wet season currently under way to keep their turbines turning.

#### Kariba Drop

Kariba, which provides about half of Cahora Bassa’s water, is at 16 percent of capacity and falling. That’s lower than 12 months ago, before levels bottomed at 11 percent in early 2016. Cahora Bassa was 34 percent full at the start of the month, Maputo-based news website Zitamar reported Dec. 2, citing a document from the National Water Directorate.

“Both Kariba and Cahora Bassa have quite low water levels and they will continue to gradually decrease over the next months until the seasonal flood arrives at Kariba and Cahora Bassa,” Harald Kling, a hydrologist at Poyry Hydropower in Vienna who’s co-authored studies on the dam, said by e-mail. “The water levels in June 2017 will very much depend on how high the 2016-17 seasonal flood will be.”

HCB, as the utility is also known, has already cut electricity supplies to South Africa’s Eskom Holdings SOC Ltd. by about 13 percent because of the drop. Eskom, Africa’s biggest power producer, bought more than two-thirds of the power Cahora Bassa generated in 2015, according to HCB’s annual report. The plant has capacity to produce 2,075 megawatts. This week, the dam’s operator reduced generation by a further 18 percent because of a technical fault, after some insulating material ruptured, it said in an e-mailed statement, without providing more information.

Kariba, the world’s largest man-made fresh-water reservoir, according to the International Commission on Large Dams, has three times the storage capacity of Cahora Bassa, at 180 cubic kilometers (43 cubic miles). While the flow of the Zambezi, that feeds both dams, has started to increase upstream from Kariba, it’s still more than 10 percent lower than 12 months ago, according to data posted to the [website](#) of the Zambezi River Authority, which regulates the dam that straddles Zambia and Zimbabwe’s border.

In 2015, only 4.1 percent of Cahora Bassa’s generation went to Mozambican power utility EDM, according to HCB’s annual report. Zimbabwe’s state-owned electricity company, ZESA Holdings Ltd., bought about 27 percent of Cahora’s supply in the period. Zambia is buying as much as 120 megawatts of power from EDM. About 20 percent of Mozambique’s citizens had access to power in 2012, World Bank data show.

HCB’s revenue climbed 23 percent to a record 4.3 billion rand (\$317 million) in 2015 from a year earlier. The utility invoices using the South African currency. HCB didn’t respond to e-mailed requests for comment.

#### Increased Volume

Despite Kariba’s low and falling levels, the authority has increased the volume of water Zambia and Zimbabwe can use to generate power at the dam in 2017 by 50 percent over this

year, basing the decision on regional weather forecasts projecting normal to above-normal rainfall in most parts of southern Africa.

Cahora Bassa also gets its water from the Luangwa and Kafue rivers, both of which are mostly supplied from rains in Zambia.

“The logical thing for Cahora Bassa to do is to keep the present power production and monitor carefully what is happening in the basin,” Alvaro Vaz, a professor in hydrology and water resources, said in reply to e-mailed questions from Maputo, Mozambique’s capital.

The dam’s water level of 312 meters (1,023 feet) above sea level as of Dec. 11 is still 17 meters (55 feet) higher than the minimum operating level for the hydropower turbines of 295 meters (968 feet), according to HCB’s website. If the above-normal rains forecast for this season don’t materialize, this could cause problems.

“For Cahora Bassa, I do not think there is much risk during the 2016-17 rainy season,” that the dam will reach the minimum level, Poyry’s Kling said. “However, if the upcoming 2016-17 flood is again as low as in 2014-15—which was extremely low—then a real problematic situation might develop later on.”

—With assistance from Borges Nhamire.

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## Mining, Tourism Polluting Highest Mountains, UN Warns

*Posted December 14, 2016, 04:05 P.M. ET*

By Wachira Kigotho

The world’s high-altitude environments, some among the last pristine places on Earth, are increasingly being misused as waste dumpsites, the United Nations Environment Program warned.

The problem ranges from mining runoff in the mountains of developing countries to tons of trash despoiling adventure destinations like Mount Everest, UNEP said in a Dec. 11 [report](#).

Steepness, remoteness, the emerging increased human footprint in highland regions and vulnerability to natural hazards, have all made waste management in mountains more challenging than in lowland areas, said the report.

Remote mountain communities are dealing especially with pollution from plastics, metals and other non-biodegradable products, said UNEP Executive Director Erik Solheim.

“Tourists on treks and mountaineering expeditions contribute to the increasing volumes of solid waste seen in many of the more remote and higher mountain regions,” said Solheim.

In the Himalayas in Nepal, tons of waste lie on Mount Everest, discarded during 60 years of expeditions, said Larisa Semernya, a UNEP biodiversity management official who led environment protection specialists from UNEP, GRID-Arendal and the International Solid Waste Management Association, in compiling the report.

The report warned of growing solid waste problems from expanding cities, increased consumption patterns, mining operations, tourism activities and illegal dumping.

#### Mining

Mining is the most common heavy industry for mountain regions in developing states, leading to dumping of solid waste and often harming species and forests, said the report.

Contaminants from extraction and other mining activities can be found hundreds of miles downstream from their source. “Such is the case of Ok Tedi mine in Papua New Guinea, which has affected the livelihoods of over 30,000 people, harmed fish stocks and caused extensive degradation of forests, as a result of releasing copper and other pollutants upstream into the river,” said the report.

Also contributing to the problem is increased high-altitude urbanization in Africa, Asia and Latin America, where mountain cities have little capacity to safely dispose of solid waste.

“In some mountain cities, waste is disposed of in open dumpsites as opposed to sanitary landfills,” said Tina Schoolmeester, a project manager at GRID-Arendal.

And high-altitude incineration has its own hazards. With less oxygen in the air, incomplete combustion usually occurs, resulting in greater quantities of soot from waste remaining in the air.

The report paid tribute to Rwanda, the mountainous country in East Africa—often referred to as the country of a thousand hills—for setting an example to the rest of the world in reducing plastic pollution by banning non-biodegradable polythene bags last year.

#### U.K. to Up Support for Renewable Heat as It Revamps Policy

*Posted December 14, 2016, 8:49 A.M. ET*

*By [Anna Hirtenstein](#) and [Rachel Morison](#)*

The U.K. government will increase support for heat pumps and biomass boilers as part of its plans to reform policy on renewable heat.

Tariffs for air source heat pumps will be boosted by 33 percent while biomass heating will increase by 38 percent, according to the results of a [consultation](#) published Dec. 14. The changes will come into force in spring 2017.

“Heat is one of most difficult energy sources to decarbonize,” Lucy Neville-Rolfe, a minister at the Department of Business, Energy and Industrial Strategy, said at a conference in London. “We need to be clear on the challenge, clear on things that we can start to make progress on now, and then we need to look at the long-term direction of policy.”

The U.K. aims to get 12 percent of heat from renewable sources by 2020 in order to meet binding European Union goals on clean energy. The renewable heat incentive program pays out subsidies to both domestic and non-domestic consumers if they switched to a low carbon option such as biomass and heat pumps. The government introduced a budget cap on the program last year.

Each technology has a set level of support, known as a tariff. The tariff is the amount of support the owner of the system will receive for each unit of heat produced and used for an eligible purpose, BEIS said.

The tariff for new air source heat pumps will be increased to 10.02 pence (13 U.S. cents) a kilowatt-hour from 7.51 pence while the tariff for ground-source pumps it will be raised to 19.55 pence a kilowatt-hour from 19.33 pence. The tariff for new biomass installations will be increased to 6.44 pence from 4.68 pence a kilowatt-hour, it said in the document.

Heat accounts for almost half of the U.K.'s energy use and a third of its carbon emissions, according to a [report](#) from the disbanded Department of Energy and Climate Change. Britain is on track to make its renewable electricity target, but is unlikely to achieve the ones set for heat and transport unless major changes are enacted, Parliament's Energy and Climate Change Committee said in September.

The reform is seeking to make the existing policy better value for money for consumers and drive cost reductions in technologies, it said in the report. By increasing support levels, the government says it hopes to increase the size of the renewable heat market in the next four years and beyond.

The government plans to allocate 1.15 billion pounds (\$1.5 billion) to the renewable heat incentive by 2021, Neville-Rolfe said, echoing previous statements made by DECC. New technologies and better value for money will be priorities.

About 10 million households in England could improve heating with energy efficiency measures that cost less than 500 pounds, she said. Heat could be redirected from industrial processes such as cooling data centers to other buildings in the surrounding area.

"The problem is around the physical limitation of heat that cannot be moved economically over big distances," Neville-Rolfe said. "It has to be used near where its generated."

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Oil Men Take Washington, Signal Dawn of New U.S. Energy Era

*Posted December 14, 2016, 11:59 A.M. ET*

*By [Catherine Traywick](#) and [David Wethe](#)*

Ever since the [U.S. Supreme Court](#) broke up John D. Rockefeller's Standard Oil in 1911, the energy industry has been at loggerheads with the federal government. Now it is the government—or may be if Exxon Mobil Corp. Chief Executive Officer Rex Tillerson is confirmed as President Donald Trump's secretary of state.

All across the oil patch, they're figuratively uncorking the champagne bottles as Tillerson and other well-placed leaders and friends are proposed for top jobs. Rick Perry, former governor of oil-rich Texas, has been picked to run the Energy Department, which he once famously threatened to do away with and whose name he forgot in a 2012 Republican presidential primary debate. Scott Pruitt, a friend to Oklahoma's homegrown shale industry and confirmed climate-change skeptic, would take over the Environmental Protection Agency. And Rep. Ryan Zinke, a Republican from Montana and former CEO of an oil and gas consulting firm, is poised to become head of the Interior Department.

**“Oil and gas is really the future engine of the economy,” said Hess Corp. CEO John Hess. He lauded Trump’s picks and added that he has “made it very clear that energy is critical.”**

#### **About-Face**

**It’s a breathtaking turn of events for an industry that has battled the federal government for decades on tax issues, antitrust challenges, environmental regulations and ethics oversight under the Foreign Corrupt Practices Act. Now, after eight years of especially antagonistic face-offs with the Obama administration, Big Oil is going from Washington outsider to running the show.**

**“It’s clearly a u-turn from the current administration, which is very hostile to fossil fuels,” said Craig Pirrong, director of the University of Houston’s Gutierrez Energy Management Institute. With “a representative of the world’s largest energy company in the State Department, it’s inevitable that they’ll have a powerful and forceful and informed advocate.”**

#### **Arctic Oil**

**The industry is poised to wield previously unimaginable influence on a global scale in a Trump administration. Tillerson has legitimately honed his leadership skills as head of the largest publicly traded oil company in the world. He is equal parts diplomat and executive, having spent much of his career negotiating complex and controversial business transactions in countries with which the U.S. government has strained relations. In 2011, he famously went into business with Russian leader Vladimir Putin, signing a joint-venture agreement to partner with state oil company Rosneft on Arctic oil exploration.**

**“There is a very thin line between oil, geopolitics and diplomacy,” OPEC Secretary General Mohammad Barkindo said in Washington Dec. 13. Tillerson’s experience on that front makes him “more than qualified to occupy this very important office.”**

**But Tillerson’s oil-industry positions also could pose problems for implementing U.S. foreign policy. Tillerson has said he opposes international sanctions; as secretary of state he could push for easing sanctions against Russia, which would have obvious benefits for Exxon Mobil’s partnership with Rosneft.**

**“Donald Trump doesn’t want to drain the swamp, he wants to drill in it,” said Sen. Ed Markey (D- Mass.). “These nominees’ ties to fossil fuel interests are as deep as an oil well.”**

**Tillerson, though, breaks with Trump’s climate-change denials. The oil executive has characterized global warming as “a serious risk” and supports a carbon tax as the best way to curb industry emissions, something Trump has said he opposes. Perry, meanwhile, oversaw a massive wind-power boom during his terms as Texas governor.**

#### **Keystone XL**

**Like Tillerson’s, Perry’s business interests also could get a boost from his appointment. He sits on the board of Energy Transfer Partners, the company behind the beleaguered Dakota Access pipeline project stalled this year by President Barack Obama’s Army Corps of Engineers. Perry is broadly supportive of building out pipeline infrastructure. During his own short-lived presidential campaign, he promised to green-light TransCanada Corp.’s Keystone XL pipeline, which is also a priority for both Trump and Tillerson. As secretary of state,**

Tillerson would have direct authority over approving the project.

At the Interior Department, an agency that oversees drilling on public lands and in federal waters, the selection of Zinke bodes well for oil companies that have criticized federal barriers to energy development. The Interior Secretary will have an opportunity to open up new coastal areas for drilling, including Arctic and Atlantic waters that were blocked from exploration by the Obama administration. In Congress, Zinke has co-sponsored legislation to expand drilling and mining on public lands.

Pruitt, attorney general of Oklahoma, spent the last few years suing to block EPA rules opposed by energy companies. As head of that agency, he'll almost certainly begin working to dismantle them. In his home state, he created a "federalism unit" tasked with fighting "unwarranted regulation and overreach by the federal government" and has billed himself as the EPA's chief antagonist.

The agency is one of two that could significantly affect the U.S. energy industry, according to Ed Morse, head of commodity research at Citigroup Inc. and a former deputy assistant secretary of state for international energy policy. The other is the Federal Energy Regulatory Commission, which approves natural-gas pipelines and LNG terminals.

These agencies "set how policy is implemented, so a lot can happen without changing law," Morse said. Their actions could have "tangible results on both U.S. and global prices."

—With assistance from Mark Shenk and Jennifer A. Dlouhy.

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